

**REPORT OF THE AUDIT OF THE
BOYD COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2001**



**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOYD COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2001**

The Auditor of Public Accounts has completed the Boyd County Fiscal Court audit for fiscal year ended June 30, 2001. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Fund balances increased by \$268,440 from the prior fiscal year, resulting in a cash surplus of \$2,159,293 as of June 30, 2001. Revenues increased by \$190,711 from the prior year and disbursements increased by \$456,585.

Debt Obligations:

Capital lease principal agreements totaled \$390,000 as of June 30, 2001. Future principal and interest payments of \$757,880 are needed to meet these obligations.

Total bonded debt principal as of June 30, 2001, was \$2,840,000. Future collections of \$3,832,760 are needed over the next 27 years to pay all bonded debt principal and interest.

Kentucky Infrastructure Authority Loans principal totaled \$6,765,875 as of June 30, 2001. Future principal and interest payments of \$8,469,761 are needed to meet these obligations.

Report Comments:

- All Employees Should Maintain Timesheets
- The Treasurer's Quarterly Report Was Misstated
- Lacks Adequate Segregation Of Duties

Deposits:

The fiscal court's deposits were insured and collateralized by bank securities or bonds.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bill F. Scott, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and fund balances arising from cash transactions of Boyd County, Kentucky, as of June 30, 2001, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Boyd County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Boyd County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The modified cash basis accounting system does not require an entity to maintain a general fixed asset group or a general long-term debt group of accounts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances arising primarily from cash transactions as of June 30, 2001, of Boyd County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
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In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2002, on our consideration of Boyd County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Boyd County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discuss the following report comments:

- All Employees Should Maintain Timesheets
- The Treasurer's Quarterly Report Was Misstated
- Lacks Adequate Segregation Of Duties

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 25, 2002

BOYD COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2001

Fiscal Court Members:

Bill F. Scott	County Judge/Executive
Roy Rice	Commissioner
Marvin Meredith	Commissioner
Carl Tolliver	Commissioner

Other Elected Officials:

Phillip Hedrick	County Attorney
Bob Stevens	Jailer
Maxine Selbee	County Clerk
Nancy Kay Arthur	Circuit Court Clerk
Philip Sturgill	Sheriff
Charles Adkins	Property Valuation Administrator
Philip Mike Neal	Coroner

Appointed Personnel:

Barbara Rodway	County Treasurer
Debbie Jones	Finance Officer
Nickie Smith	Economic Development Director

STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

BOYD COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND FUND BALANCES ARISING FROM CASH TRANSACTIONS

June 30, 2001

Assets and Other Resources

Assets

General Fund Type

General Fund:

Cash	\$ 533,388
Investments	512,712

Road and Bridge Fund:

Cash	37,638
------	--------

Jail Fund:

Cash	114,096
------	---------

Local Government Economic Assistance Fund:

Cash	75,145
------	--------

Payroll Revolving Account - Cash	428	\$ 1,273,407
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Special Revenue Fund Type

Economic Development and Revolving Loan Fund:

Cash	\$ 190,297
Receivable (Note 4)	619,007

Tire Recycling Fund:

Cash	57,545
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Park Fund:

Cash	21,930
------	--------

Amphitheatre Fund:

Cash	3
------	---

Animal Control Building Fund:

Cash	8,654
------	-------

U.S. 60 Sewer Operation and Maintenance Fund:

Cash-	
Operation and Maintenance Account	26,780
Escrow Account	6,103

U.S. 60 Sewer Security Deposit Fund:

Cash	11,190
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U.S. 60 Sewer Maintenance and Reserve Fund:

Cash	159,089
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U.S. 60 Sewer Project Reserve Fund:

Cash	3,114	1,103,712
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The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Assets and Other Resources (Continued)

Assets (Continued)

Debt Service Fund Type

Boyd County Capital Projects Corporation Fund:

Investments	\$ 401,609
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Other Resources

Special Revenue Fund Type

Tire Recycling Fund:

Amounts to be Provided in Future Years for Loan Payments

Kentucky Infrastructure Authority	\$ 87,630
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U.S. 60 Sewer Operation and Maintenance Fund:

Amounts to be Provided in Future Years for Lease Payments

Kentucky Area Development Districts Financing Trust	390,000
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Amounts to be Provided in Future Years for Loan Payments

Kentucky Infrastructure Authority	<u>6,614,597</u>	7,092,227
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Debt Service Fund Type

Boyd County Capital Projects Corporation Fund:

Amounts to be Provided in Future Years for Bond Payments	<u>2,438,391</u>
--	------------------

Total Assets and Other Resources

\$ 12,309,346

Liabilities and Fund Balances

Liabilities

General Fund Type

Payroll Revolving Account	\$ 428
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The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
 ARISING FROM CASH TRANSACTIONS
 June 30, 2001
 (Continued)

Liabilities and Fund Balances (Continued)

Liabilities (Continued)

Special Revenue Fund Type

Tire Recycling Fund:

Kentucky Infrastructure Authority Loans Principal (Note 7C)	\$	145,175	
U.S. 60 Sewer Operation and Maintenance Fund:			
Economic Development and Revolving Loan Fund (Note 7D3)		619,007	
Kentucky Area Development Districts Financing Trust			
Lease Principal (Note 6)		390,000	
Kentucky Infrastructure Authority Loans Principal (Note 7D)		6,620,700	
U.S. 60 Sewer Security Deposit Fund:			
Refundable Security Deposits		<u>11,190</u>	\$ 7,786,072

Debt Service Fund Type

Boyd County Capital Projects Corporation Fund:

Bonds Not Matured - Courthouse Annex (Note 7A)	\$	110,000	
Bonds Not Matured - Jail (Note 7B)		<u>2,730,000</u>	2,840,000

Fund Balances

Reserved:

Special Revenue Fund Type

Economic Development and Revolving Loan Fund	\$	809,304	
Park Fund		21,930	
Amphitheatre Fund		3	
Animal Control Building Fund		8,654	
U.S. 60 Sewer Operation and Maintenance Fund		(592,227)	
U.S. 60 Sewer Maintenance and Reserve Fund		159,089	
U.S. 60 Sewer Project Reserve Fund		<u>3,114</u>	409,867

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
ARISING FROM CASH TRANSACTIONS
June 30, 2001
(Continued)

Liabilities and Fund Balances (Continued)

Fund Balances (Continued)

Unreserved:

General Fund Type

General Fund	\$ 1,046,100	
Road and Bridge Fund	37,638	
Jail Fund	114,096	
Local Government Economic Assistance Fund	<u>75,145</u>	<u>\$ 1,272,979</u>
Total Liabilities and Fund Balances		<u><u>\$ 12,309,346</u></u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

BOYD COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2001

	General Fund Type			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 8,013,368	\$ 4,632,103	\$ 1,115,386	\$ 678,338
Other Financing Sources:				
Transfers In	1,730,899	35,416	163,953	899,653
Kentucky Advance Revenue Program	2,941,300	2,941,300		
Total Cash Receipts	<u>\$ 12,685,567</u>	<u>\$ 7,608,819</u>	<u>\$ 1,279,339</u>	<u>\$ 1,577,991</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 6,916,064	\$ 3,273,103	\$ 1,246,460	\$ 1,192,268
Other Financing Uses:				
Transfers Out	1,730,899	1,174,056	26,032	292,687
Bonds:				
Principal Paid	255,000			
Interest Paid	153,830			
Kentucky Infrastructure Authority	420,034			
Kentucky Advance Revenue Program Repaid	2,941,300	2,941,300		
Total Cash Disbursements	<u>\$ 12,417,127</u>	<u>\$ 7,388,459</u>	<u>\$ 1,272,492</u>	<u>\$ 1,484,955</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 268,440	\$ 220,360	\$ 6,847	\$ 93,036
Cash Balance - July 1, 2000*	<u>1,890,853</u>	<u>825,740</u>	<u>30,791</u>	<u>21,060</u>
Cash Balance - June 30, 2001*	<u>\$ 2,159,293</u>	<u>\$ 1,046,100</u>	<u>\$ 37,638</u>	<u>\$ 114,096</u>

* Cash Balance Includes Investments

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

General Fund Type	Special Revenue Fund Type				
Local Government Economic Assistance Fund	Economic Development and Revolving Loan Fund	Tire Recycling Fund	Park Fund	Amphitheatre Fund	Animal Control Building Fund
\$ 226,967	\$ 41,769	\$ 71,923	\$ 2,178	\$ 24	\$ 7,984
26,032				100	
<u>\$ 252,999</u>	<u>\$ 41,769</u>	<u>\$ 71,923</u>	<u>\$ 2,178</u>	<u>\$ 124</u>	<u>\$ 7,984</u>
\$ 268,393	\$ 49,432	\$ 13,607	\$ 4,029	\$ 588	\$ 8
	78,153	10,000			
		62,676			
<u>\$ 268,393</u>	<u>\$ 127,585</u>	<u>\$ 86,283</u>	<u>\$ 4,029</u>	<u>\$ 588</u>	<u>\$ 8</u>
\$ (15,394)	\$ (85,816)	\$ (14,360)	\$ (1,851)	\$ (464)	\$ 7,976
90,539	276,113	71,905	23,781	467	678
<u>\$ 75,145</u>	<u>\$ 190,297</u>	<u>\$ 57,545</u>	<u>\$ 21,930</u>	<u>\$ 3</u>	<u>\$ 8,654</u>

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

	Special Revenue Fund Type			
	U.S. 60 Sewer Operation and Maintenance Fund	U.S. 60 Sewer Security Deposit Fund	U.S. 60 Sewer Maintenance Reserve Fund	U.S. 60 Sewer Project Reserve Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 973,901	\$ 8,650	\$ 5,483	\$ 149,149
Other Financing Sources:				
Transfers In	272,543		25,825	
Kentucky Advance Revenue Program				
Total Cash Receipts	<u>\$ 1,246,444</u>	<u>\$ 8,650</u>	<u>\$ 31,308</u>	<u>\$ 149,149</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 862,408	\$ 5,768	\$	\$
Other Financing Uses:				
Transfers Out		934	2,661	146,376
Bonds:				
Principal Paid				
Interest Paid				
Kentucky Infrastructure Authority	357,358			
Kentucky Advance Revenue Program Repaid				
Total Cash Disbursements	<u>\$ 1,219,766</u>	<u>\$ 6,702</u>	<u>\$ 2,661</u>	<u>\$ 146,376</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 26,678	\$ 1,948	\$ 28,647	\$ 2,773
Cash Balance - July 1, 2000*	<u>6,205</u>	<u>9,242</u>	<u>130,442</u>	<u>341</u>
Cash Balance - June 30, 2001*	<u>\$ 32,883</u>	<u>\$ 11,190</u>	<u>\$ 159,089</u>	<u>\$ 3,114</u>
	(Note 9)			

* Cash Balance Includes Investments

BOYD COUNTY
 STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

Debt Service
Fund Type

Boyd County
 Capital
 Projects
 Corporation
Fund

\$ 99,513

307,377

\$ 406,890

\$

255,000

153,830

\$ 408,830

\$ (1,940)

403,549

\$ 401,609

The accompanying notes are an integral part of the financial statements.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2001

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Boyd County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the criteria stated in GASB 14, management has included the Boyd County Capital Projects Corporation as part of the reporting entity.

The Boyd County Capital Projects Corporation is a legally separate entity established to provide long-term debt service for the fiscal court. The Boyd County Capital Projects Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Boyd County Capital Projects Corporation as a component unit, and the Boyd County Capital Projects Corporation financial activity has been blended with that of the Fiscal Court.

Additional - Boyd County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Boyd County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Boyd County Fiscal Court's Fund Types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Boyd County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, and the Local Government Economic Assistance Fund.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Economic Development and Revolving Loan Fund, Tire Recycling Fund, Park Fund, Amphitheatre Fund, Animal Control Building Fund, U.S. 60 Sewer Operation and Maintenance Fund, U.S. 60 Sewer Security Deposit Fund, U.S. 60 Sewer Maintenance Reserve Fund, and the U.S. 60 Sewer Project Reserve Fund of the Fiscal Court are reported as Special Revenue Fund Types.

3) Debt Service Fund Type

Debt Service Fund Type accounts for the accumulation of resources for the payment of general long-term debt principal and interest and include funds for the Boyd County Capital Projects Corporation Fund. Debt service is provided through annual transfers from the General Fund Type in the amount of the debt service requirements for the year.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received, except for the recording of long-term receivables and deferred revenue. Expenditures are recognized when paid, except for the recording of long-term obligations and amounts to be provided in future years.

D. Legal Compliance - Budget

The Boyd County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Boyd County Capital Projects Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund Type to comply with these requirements. The Department for Local Government does not require this fund to be budgeted.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

E. Cash and Investments

Cash includes amounts in bank accounts, and investments are stated at cost. Investments may include certificates of deposit on the financial statements; however, for the purpose of disclosing credit risk (Note 3), investments exclude certificates of deposit.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Jointly Governed Organization

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The Northeast Kentucky Regional Industrial Park Authority meets the criteria noted above and is an organization jointly governed by the Kentucky counties of Boyd, Carter, Elliott, Greenup, and Lawrence. The Boyd/Greenup Riverport Authority also meets the criteria noted above and is an organization jointly governed by the Kentucky counties of Boyd and Greenup.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.17 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2001, the county's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

Note 4. Receivables

The Economic Development and Revolving Loan Fund has made non-interest bearing advances to the U.S. 60 Sewer Operation and Maintenance Fund and U.S. 60 Construction Fund in the amounts of \$379,881 and \$239,126 respectively. The total of \$619,007 is to the Economic Development and Revolving Loan Fund as disclosed in Note 7D3 due and payable upon demand.

Note 5. Lease Purchase Agreements

- A. On October 4, 2000, the Boyd County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties to borrow \$73,280 for the purchase of a pothole-repairing machine. The Fiscal Court refinanced this lease agreement as a cost savings measure on June 30, 2001. The county will pay variable payments for 31 months. The principal balance of the agreement was \$65,000 and payments were scheduled to begin July 20, 2001.
- B. On May 25, 2001, the Boyd County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties to borrow \$115,000 for the purchase of a dirt loader. The County will pay variable payments for 31 months. The principal balance of the agreement was \$115,000 and payments were scheduled to begin July 20, 2001.

Note 6. Capital Lease Agreement

In June 1997, Kentucky Area Development Districts Financing Trust (KADD) leased \$1,910,000 to the Boyd County Fiscal Court for sewer construction expenses. This bond anticipation lease was scheduled to mature in June 2028. In December 1998, the Commonwealth of Kentucky made a grant to the Boyd County Fiscal Court of \$1,500,000 that was used to in-substance decrease a like amount of the outstanding bond anticipation lease. As of June 30, 2001, the principal balance outstanding on the lease was \$390,000. Lease payments for the remaining years are:

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 6. Capital Lease Agreement (Continued)

<u>Fiscal Year Ending</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2002	\$ 5,000	\$ 20,820
June 30, 2003	5,000	20,585
June 30, 2004	5,000	20,350
June 30, 2005	10,000	20,115
June 30, 2006	10,000	19,645
June 30, 2007 - 2011	50,000	90,815
June 30, 2012 - 2016	60,000	77,735
June 30, 2017 - 2021	80,000	59,040
June 30, 2022 - 2026	110,000	34,100
June 30, 2027 - 2028	55,000	4,675
Totals	<u>\$ 390,000</u>	<u>\$ 367,880</u>

Note 7. Long-Term Debt

A. Annex Bonds

On October 12, 1994, Boyd County Capital Projects Corporation issued \$705,000 first mortgage refunding revenue bonds series 1994. These bonds were utilized to retire the 1981 first mortgage revenue bonds issued to fund the courthouse annex project. These bonds were issued at variable interest rates, and will be retired by September 1, 2002. The payment schedule requires annual principal payments and semiannual interest payments. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

<u>Fiscal Year Ending</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2002	\$ 40,000	\$ 5,000
June 30, 2003	70,000	1,750
Totals	<u>\$ 110,000</u>	<u>\$ 6,750</u>

B. Jail Bonds

On October 6, 1997, Boyd County Capital Projects Corporation issued \$3,430,000 first mortgage refunding revenue bonds series 1997. These bonds were utilized to retire the 1991 first mortgage revenue bonds issued to fund the detention facilities (jail). These bonds were issued at variable interest rates, and will be retired by March 1, 2012. The payment schedule requires annual principal payments and semiannual interest payments. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Long-Term Debt (Continued)

B. Jail Bonds (Continued)

<u>Fiscal Year Ending</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2002	\$ 170,000	\$ 137,365
June 30, 2003	180,000	129,545
June 30, 2004	185,000	121,265
June 30, 2005	200,000	112,570
June 30, 2006	205,000	102,970
Remaining	<u>1,790,000</u>	<u>382,295</u>
Totals	<u>\$ 2,730,000</u>	<u>\$ 986,010</u>

C. Tire Recycling Program

1. On June 1, 1994, the fiscal court borrowed \$200,000 at 4.9% from the Kentucky Infrastructure Authority (KIA) for the tire-recycling project. Payments are due semi-annually on June 1 and December 1 through June 30, 2004. Principal requirements and scheduled interest for the remaining term of the loan are as follows:

<u>Fiscal Year Ending</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2002	\$ 22,904	\$ 2,634
June 30, 2003	24,040	1,498
June 30, 2004	<u>12,464</u>	<u>305</u>
Totals	<u>\$ 59,408</u>	<u>\$ 4,437</u>

2. On June 1, 1996, the fiscal court borrowed \$277,481 at 3.25% from the Kentucky Infrastructure Authority (KIA) for the tire-recycling project. Payments are due semi-annually on June 1 and December 1 through June 30, 2003. Principal requirements and scheduled interest for the remaining term of the loan are as follows:

<u>Fiscal Year Ending</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
June 30, 2002	\$ 42,192	\$ 2,447
June 30, 2003	<u>43,575</u>	<u>1,065</u>
Totals	<u>\$ 85,767</u>	<u>\$ 3,512</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 7. Long-Term Debt (Continued)

D. U.S. 60 Sewer Construction Project

1. On December 1, 1994, the fiscal court borrowed \$2,200,301 at 3.2% from the Kentucky Infrastructure Authority (KIA) for the sewer construction project. Payments are due semiannually on June 1 and December 1 through December 31, 2013. Principal requirements and scheduled interest for the remaining term of the loan are as follows:

Fiscal Year Ending	Scheduled Principal	Scheduled Interest
June 30, 2002	\$ 103,403	\$ 49,148
June 30, 2003	106,738	45,813
June 30, 2004	110,181	42,370
June 30, 2005	113,735	38,816
June 30, 2006	117,403	35,147
June 30, 2007 - 2011	646,325	116,427
June 30, 2012 - 2014	363,732	17,644
Totals	<u>\$ 1,561,517</u>	<u>\$ 345,365</u>

2. On December 1, 1996, the fiscal court borrowed \$6,187,106 at 3.2% from the Kentucky Infrastructure Authority (KIA) for the sewer construction project. Payments are due semiannually on June 1 and December 1 through June 30, 2016. Principal requirements and scheduled interest for the remaining term of the loan are as follows:
3. The U.S. 60 Sewer Construction fund and the U.S. 60 Sewer Operation and Maintenance fund borrowed \$239,126 and \$379,881, respectively, from the Economic Development and Revolving Loan fund.

Fiscal Year Ending	Scheduled Principal	Scheduled Interest
June 30, 2002	\$ 267,547	\$ 159,770
June 30, 2003	276,177	151,140
June 30, 2004	285,085	142,232
June 30, 2005	294,281	133,036
June 30, 2006	303,773	123,544
June 30, 2007 - 2011	1,672,319	464,265
June 30, 2012 - 2016	1,960,001	176,585
Totals	<u>\$ 5,059,183</u>	<u>\$ 1,350,572</u>

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

E. First Mortgage Revenue Bonds (Paramount Arts Center, Inc Projects) Series 2000

On November 14, 2000, the Boyd County Fiscal Court approved a resolution for the Boyd County Capital Projects Corporation to issue First Mortgage Revenue Series 2000 Bonds in the amount of \$1,500,000 for renovation of the Paramount Arts Center. Subsequently, the County entered into a lease agreement with Paramount Arts Center, Inc. This lease agreement stipulates that the Paramount Arts Center, Inc. is fully responsible for all principal and interest payments on the bonds.

Note 8. Jail Canteen Fund

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations.

During fiscal year ending June 30, 2001, the Boyd County Jail Canteen received \$11,441 and expended \$14,292. The Jail Canteen reported June 30, ending balances of \$14,237 and \$11,386 for fiscal years 2000 and 2001 respectively.

Note 9. Sewer Construction Funds

In the prior year, the Treasurer's financial statements included the U.S. 60 Sewer Construction Fund, U.S. 60 Sewer Construction Special Escrows Fund, U.S. 60 Sewer Construction KADD Lease Fund, and the U.S. 60 Sewer Project Phase 3 Fund. During fiscal year ended June 30, 2001, these funds were closed and the cash balances transferred to the U.S 60 Sewer Operation and Maintenance Fund. All obligations of the closed funds are now being shown as obligations of the Sewer Operation and Maintenance Fund. The beginning balance of the U.S 60 Sewer Operation and Maintenance Fund does not agree to the prior year ending balance due to closing those funds and transferring their \$55,147 balance to the U.S 60 Sewer Operation and Maintenance Fund.

Note 10. Subsequent Events

The Boyd County Fiscal Court did not make Kentucky Infrastructure Authority (KIA) loan payments of \$289,934 due June 1, 2002, for the two U.S. 60 Sewer Construction Project loans and was in technical default on the loans. On September 26, 2002, the County paid the delinquent payments of \$289,934 and is currently making plans to refinance the KIA loans. Furthermore, to date, the Economic Development and Revolving Loan Fund advanced \$619,007 to the U.S. 60 Sewer Construction Project to help fund operations of the project. This advance carries no interest and is due upon demand. The County plans to repay these funds from proceeds of the KIA loan refinancing.

BOYD COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Continued)

Note 10. Subsequent Events (Continued)

Currently, the U.S. 60 Sewer Construction Project's operating expenditures exceed its operating revenue. During the current fiscal year, the county supplemented the project's operations by transferring unrestricted funds, and by advancing Economic Development and Revolving Loan Funds to the project. In view of these matters, continued operation of the U.S. 60 Sewer Construction Project is questionable and is dependent upon the County's refinancing the KIA loans and continued funding of the project. Management believes that actions being taken provide the opportunity for the project to continue as a going concern.

COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

BOYD COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Type</u>			
General Fund	\$ 7,557,051	\$ 4,632,103	\$ (2,924,948)
Road and Bridge Fund	1,043,303	1,115,386	72,083
Jail Fund	592,012	678,338	86,326
Local Government Economic Assistance Fund	446,928	226,967	(219,961)
<u>Special Revenue Fund Type</u>			
Economic Development and Revolving Loan Fund	466,800	41,769	(425,031)
Tire Recycling Fund	83,363	71,923	(11,440)
Park Fund	6,500	2,178	(4,322)
Amphitheatre Fund	5,000	24	(4,976)
Animal Control Building Fund	55,000	7,984	(47,016)
U.S. 60 Sewer Operation and Maintenance Fund	1,142,000	973,901	(168,099)
U.S. 60 Sewer Security Deposit Fund	1,000	8,650	7,650
U.S. 60 Sewer Maintenance Reserve Fund	2,000	5,483	3,483
U.S. 60 Sewer Project Reserve Fund	100,500	149,149	48,649
Totals	<u>\$ 11,501,457</u>	<u>\$ 7,913,855</u>	<u>\$ (3,587,602)</u>

Reconciliation

Total Budgeted Operating Revenue Above	\$ 11,501,457
Add: Budgeted Prior Year Surplus	846,941
Less: Other Financing Uses	<u>(3,668,711)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures	<u>\$ 8,679,687</u>

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SCHEDULE OF OPERATING REVENUE

BOYD COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2001

Revenue Categories	GOVERNMENTAL FUND TYPES			
	Totals (Memorandum Only)	General Fund Type	Special Revenue Fund Type	Debt Service Fund Type
Taxes	\$ 3,572,642	\$ 3,572,642	\$	\$
Excess Fees	84,006	84,006		
Licenses and Permits	90,760	90,760		
Intergovernmental Revenues	2,496,212	2,496,212		
Charges for Services	1,144,829	73,640	1,071,189	
Miscellaneous Revenues	500,107	243,884	176,223	80,000
Interest Earned	124,812	91,650	13,649	19,513
Total Operating Revenue	<u>\$ 8,013,368</u>	<u>\$ 6,652,794</u>	<u>\$ 1,261,061</u>	<u>\$ 99,513</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

BOYD COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2001

Expenditure Categories	GENERAL FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 1,018,076	\$ 994,939	\$ 23,137
Protection to Persons and Property	2,436,249	2,275,128	161,121
General Health and Sanitation	315,357	186,758	128,599
Social Services	8,080	7,740	340
Recreation and Culture	524,614	402,956	121,658
Roads	1,338,412	1,268,544	69,868
Airports	6,000	6,000	
Debt Service	105,248		105,248
Administration	945,193	838,159	107,034
Total Operating Budget - General Fund Type	\$ 6,697,229	\$ 5,980,224	\$ 717,005
Other Financing Uses:			
Transfers to Boyd County Capital Projects Corporation Fund	307,377	307,377	
Kentucky Advanced Revenue Program - Principal	2,941,300	2,941,300	
TOTAL BUDGET - GENERAL FUND TYPE	<u>\$ 9,945,906</u>	<u>\$ 9,228,901</u>	<u>\$ 717,005</u>

BOYD COUNTY
 COMPARATIVE SCHEDULE OF
 FINAL BUDGET AND BUDGETED EXPENDITURES
 For The Fiscal Year Ended June 30, 2001
 (Continued)

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 764,384	\$ 49,432	\$ 714,952
General Health and Sanitation	824,093	573,747	250,346
Recreation and Culture	26,719	4,617	22,102
Debt Service	355,714	301,547	54,167
Administration	11,548	6,497	5,051
Total Operating Budget - Special Revenue Fund Type	\$ 1,982,458	\$ 935,840	\$ 1,046,618
Other Financing Uses:			
Kentucky Infrastructure Authority -			
Tire Recycling Program Principal	62,676	62,676	
Sewer Construction Principal	357,358	357,358	
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 2,402,492</u>	<u>\$ 1,355,874</u>	<u>\$ 1,046,618</u>

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Bill F. Scott, Boyd County Judge/Executive
Members of the Boyd County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Boyd County, Kentucky, as of and for the year ended June 30, 2001, and have issued our report thereon dated September 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Boyd County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- All Employees Should Maintain Timesheets
- The Treasurer's Quarterly Report Was Misstated

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boyd County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.



Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Boyd County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying comment and recommendation.

- Lacks Adequate Segregation Of Duties

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of management and is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
September 25, 2002

COMMENTS AND RECOMMENDATIONS

BOYD COUNTY
COMMENTS AND RECOMMENDATIONS

For The Fiscal Year Ended June 30, 2001

NONCOMPLIANCES

1. All Employees Should Maintain Timesheets

County employees that are considered to be on salary are not maintaining timesheets. KRS 337.320 requires every employer to keep a record of hours worked each day and each week by each employee. Also the County's personnel policy entitles employees to accumulate sick time up to 60 days and receive compensation for sick days at the time of retirement. We recommend that all county employees maintain timesheets and proper records be maintained to account for sick days.

Boyd County Judge/Executive Bill F. Scott's Response:

County salaried employees will maintain timesheets and turn them in to the County Judge's office.

2. The Treasurer's Quarterly Report Was Misstated

The Treasurer's quarterly report was misstated. We have made numerous adjustments to the Treasurer's Fourth Quarter Report to agree fund balances to the bank reconciliations. Furthermore, there were items not posted to the ledgers. It is extremely important that all receipt and disbursement ledgers be properly posted and carried forward to the Fourth Quarter Report. KRS 68.020(4) states the treasurer shall keep an accurate detailed account of all money received and disbursed by him for the county, and shall keep books of accounts of the financial transactions of the county in the manner required by the uniform system of accounts prescribed by the state local finance officer. We recommend the Treasurer take greater care agreeing fund balances to the bank reconciliations and properly classifying and posting transactions.

During our auditing procedures relating to the budget and amendments we noted the Treasurer did not accurately record the budget and amendments approved by the fiscal court and the Department for Local Government on the Fourth Quarter Report. The budget and amendments must be properly posted on the Fourth Quarter Report to determine the total budget available for expenditure from each fund. We recommend the Treasurer post correctly to the Fourth Quarter Report the approved budget and budget amendments to ensure the proper amounts available for expenditure.

Boyd County Judge/Executive Bill F. Scott's Response:

The County Treasurer is correcting that and making the adjustments.

BOYD COUNTY
COMMENTS AND RECOMMENDATIONS
For The Fiscal Year Ended June 30, 2001
(Continued)

REPORTABLE CONDITION

- Lacks Adequate Segregation Of Duties

The fiscal court lacks adequate segregation of duties. The fiscal court's accounts are reconciled by the Treasurer who has both access to cash and accounting records and is signatory on the bank accounts. We recommend the accounts be reconciled by an employee who has no access to cash or accounting records and has no signatory authority on checking accounts.

Boyd County Judge/Executive Bill F. Scott's Response:

The County Treasurer will have an extra person do the receipts.

PRIOR YEAR FINDINGS

- All Employees Should Maintain Timesheets
- Lacks Adequate Segregation Of Duties

CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

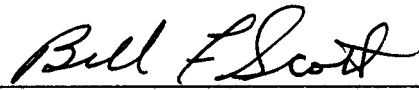
BOYD COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2001

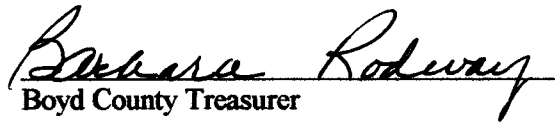
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYD COUNTY FISCAL COURT

Fiscal Year Ended June 30, 2001

The Boyd County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Boyd County Judge/Executive



Boyd County Treasurer

